

Message Text

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INFO OCT-01 AF-06 ARA-06 EUR-12 EA-07 IO-11 ISO-00 STR-04

ITC-01 FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05

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SP-02 OMB-01 SSO-00 NSCE-00 INRE-00 /123 R

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FM SECSTATE WASHDC

TO AMEMBASSY BERN IMMEDIATE

AMEMBASSY BONN IMMEDIATE

AMEMBASSY BRASILIA IMMEDIATE

AMEMBASSY BRUSSELS IMMEDIATE

AMEMBASSY BUENOS AIRES IMMEDIATE

AMEMBASSY CANBERRA IMMEDIATE

AMEMBASSY OSLO IMMEDIATE

AMEMBASSY HELSINKI IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY LUXEMBOURG IMMEDIATE

AMEMBASSY MADRID IMMEDIATE

AMEMBASSY MEXICO IMMEDIATE

AMEMBASSY MOSCOW IMMEDIATE

USMISSION OECD PARIS IMMEDIATE

USMISSION EC BRUSSELS IMMEDIATE

USMISSION GENEVA IMMEDIATE

USDEL MTN GENEVA IMMEDIATE

AMEMBASSY OTTAWA IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY PRAGUE IMMEDIATE

AMEMBASSY PRETORIA IMMEDIATE

AMEMBASSY ROME IMMEDIATE

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AMEMBASSY SEOUL IMMEDIATE

AMEMBASSY STOCKHOLM IMMEDIATE
AMEMBASSY THE HAGUE IMMEDIATE
AMEMBASSY TOKYO IMMEDIATE
AMEMBASSY VIENNA IMMEDIATE
AMEMBASSY WARSAW IMMEDIATE
AMCONSUL HONG KONG IMMEDIATE

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E.O. 11652: /A

TAGS: ETRD

SUBJECT: PRESIDENT'S DETERMINATION ON SPECIALTY STEEL

REF: (A) STATE 12719, (B) STATE 35949

BEGIN UNCLASSIFIED

1. ON TUESDAY, MARCH 16 AT 3 PM WASHINGTON TIME, THE OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS ANNOUNCED THE FOLLOWING PRESIDENTIAL DECISION IN RESPONSE TO THE FINDING AND RECOMMENDATION OF THE INTERNATIONAL TRADE COMMISSION IN THE SPECIALTY STEEL CASE. BEGIN TEXT:

PRESIDENT FORD DETERMINES IMPORT RELIEF FOR SPECIALTY STEEL INDUSTRY AND WORKERS; WILL ATTEMPT TO NEGOTIATE INTERNATIONAL TRADE AGREEMENTS

PRESIDENT FORD HAS DETERMINED TO GRANT IMPORT RELIEF TO THE SPECIALTY STEEL INDUSTRY, AMBASSADOR FREDERICK B. DENT, THE PRESIDENT'S SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS ANNOUNCED TODAY. THIS IS THE FIRST AFFIRMATIVE ACTION TAKEN UNDER THE ESCAPE CLAUSE PROVISIONS OF THE TRADE ACT OF 1974.

THE UNITED STEELWORKERS OF AMERICA AND THE TOOL AND STAINLESS STEEL INDUSTRY COMMITTEE PETITIONED THE U.S.

INTERNATIONAL TRADE COMMISSION (USITC) ON JULY 16, 1975 FOR IMPORT RELIEF. ON JANUARY 16, 1976 THE USITC FOUND LIMITED OFFICIAL USE

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THAT THE INDUSTRY WAS SERIOUSLY INJURED SUBSTANTIALLY DUE TO INCREASED IMPORTS. DURING MOST OF 1975, 25 PERCENT OR MORE OF THE INDUSTRY'S 30,000 PERSON WORKFORCE WERE LAID OFF AND LESS THAN HALF OF THE INDUSTRY'S PRODUCTION CAPACITY WAS UTILIZED, CAUSING PROFITS TO PLUMMET. AT THE SAME TIME IMPORTS ROSE SLIGHTLY IN TONNAGE TERMS AND SIGNIFICANTLY INCREASED THEIR SHARE OF THE U.S. MARKET.

THE PRESIDENT HAS DIRECTED THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS TO ATTEMPT TO NEGOTIATE ORDERLY MARKETING AGREEMENTS WITH KEY SUPPLYING COUNTRIES FOR SPECIALTY STEEL PRODUCTS COVERED BY THE USITC'S AFFIRMATIVE FINDING OF INJURY. IT IS INTENDED THAT THESE AGREEMENTS LIMIT IMPORTS OVER A THREE YEAR PERIOD, WHILE THE DOMESTIC SPECIALTY STEEL INDUSTRY RECOVERS FROM THE HIGH UNEMPLOYMENT AND DEPRESSED OPERATING LEVELS OF 1975. SHOULD ORDERLY MARKETING AGREEMENTS NOT BE NEGOTIATED SUCCESSFULLY THE PRESIDENT WILL PROCLAIM IMPORT QUOTAS FOR A PERIOD OF THREE YEARS TO TAKE EFFECT NO LATER THAN JUNE 14, 1976. SUCH QUOTAS WOULD BE SET AT OVERALL LEVELS COMPARABLE TO THOSE RECOMMENDED BY THE USITC.

THIS SHOULD BE SUFFICIENT FOR THE INDUSTRY TO RECOVER A HEALTHY EMPLOYMENT AND PROFIT POSITION. RELIEF WILL BE REDUCED OR DISCONTINUED WHEN THE PRESIDENT DETERMINES, WITH THE ADVICE OF THE USITC AND THE SECRETARIES OF COMMERCE AND LABOR, THAT THIS RECOVERY IS TAKING PLACE.

INTERNATIONAL CONSULTATIONS HAVE BEEN REQUESTED BY THE UNITED STATES IN THE OECD TO DISCUSS THE PROBLEMS OF OUR SPECIALTY STEEL INDUSTRY AND THE PROPOSED U.S. ACTIONS. THE UNITED STATES HAS NOTIFIED THE SPECIALTY STEEL CASE UNDER THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT), AND IT IS EXPECTED THAT CONSULTATIONS WILL TAKE PLACE UNDER THE PROVISIONS OF THE GATT. PILATERAL DISCUSSIONS WITH KEY SUPPLYING COUNTRIES ARE BEING INITIATED.

IN RECOGNITION OF THE SPECIAL PROBLEMS OF THE SPECIALTY AND CARBON STEEL INDUSTRY, THE PRESIDENT HAS DIRECTED LIMITED OFFICIAL USE

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THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS, IN THE MULTILATERAL TRADE NEGOTIATIONS, TO NEGOTIATE ON A SECTORAL BASIS SOLUTIONS TO THE PROBLEMS OF CYCLICAL DISTORTIONS IN STEEL TRADE, WHILE LIBERALIZING THE CONDITIONS OF THIS TRADE.

FINALLY, THE PRESIDENT HAS ORDERED THE SECRETARY OF LAOR TO EXPEDITE PROCESSING OF TRADE ADJUSTMENT ASSISTANCE PETITIONS, TO ASSIST THE LARGE NUMBER OF UNEMPLOYED SPECIALTY STEEL WORKERS. ABOUT 3400 WORKERS OF 8500 LAID OFF ARE ALREADY ELIGIBLE FOR SUCH ASSISTANCE.

THE DECISION NOT TO IMPLEMENT AT THIS TIME THE USITC'S PROPOSED REMEDY OF QUOTAS FOR THE NEXT FIVE YEARS IS BASED ON SEVERAL CONSIDERATIONS. THIS REMEDY IS TOO

INFLEXIBLE IN VIEW OF THE RAPID EXPANSIONS AND CONTRACTIONS OF THE SPECIALTY STEEL MARKET AND IS NOT WELL SUITED TO THE NEEDS OF THE INDUSTRY DURING RECOVERY FROM A RECESSION PERIOD. THE U.S. GOVERNMENT ALSO DESIRES TO AVOID UNILATERAL RESTRICTIVE ACTION BY TRYING TO RESOLVE SPECIALTY STEEL IMPORT PROBLEMS THROUGH AGREEMENTS WITH THE OTHER MAJOR NATIONS INVOLVED. IN THIS MANNER, THE DISRUPTION TO TRADE CAN BE REDUCED AND THE SPECIAL CONCERNS OF OTHER NATIONS CAN BE TAKEN INTO ACCOUNT, WHILE THE INJURY TO THE DOMESTIC INDUSTRY IS REMEDIED. END TEXT.
END UNCLASSIFIED

2. FOR U.S. MISSION GENEVA. MISSION WILL BE PROVIDED TEXT FOR NOTIFICATION TO SECRETARIAT AND CIRCULATION TO CP'S SEPTTEL.

3. FOR OECD PARIS. MISSION WILL BE PROVIDED TEXT FOR OECD NOTIFICATION AND GUIDANCE ON CONSULTATION SEPTTEL.

4. FOR ADDRESSEE POSTS. WHEN INFORMING HOST GOVERNMENTS OF PRESIDENTIAL DECISION REFLECTED IN STR PRESS RELEASE, POSTS SHOULD STRESS THAT THE PRESIDENT HAS TAKEN THIS ACTION IN AN EFFORT TO MANAGE A VERY DIFFICULT SITUATION. REF B DETAILS U.S. PERFORMANCE IN 1975 IN DEALING WITH QUOTE PROTECTIONIST PRESSURES END QUOTE. WE BELIEVE THAT OUR PERFORMANCE IN MANAGING SOLUTIONS TO PROBLEMS RAISED UNDER VARIOUS RELIEF LIMITED OFFICIAL USE

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PROVISIONS OF THE TRADE ACT OF 1974 HAS BEEN SUCH AS TO INDICATE THAT THE ADMINISTRATION IS DETERMINED TO MAINTAIN THE UNDERTAKINGS OF THE OECD TRADE PLEDGE AND THE ASSURANCES GIVEN AT RAMBOUILLET. POSTS SHOULD STRESS THAT THE CURRENT DECISION SHOULD IN NO WAY BE READ AS AN INTENTION OF THE U.S. GOVERNMENT TO DEPART FROM ITS OBTAINED POSITION ON RESISTING PROTECTIONIST PRESSURES AS THE BEST MEANS OF PROMOTING WORLD ECONOMIC RECOVERY. THE DECISION BY THE PRESIDENT ALLOWS 90 DAYS DURING WHICH THE U.S. GOVERNMENT WILL UNDERTAKE CONSULTATIONS WITH THE MAJOR SUPPLIERS OF SPECIALTY STEEL PRODUCTS IN AN EFFORT TO REACH AN ACCEPTABLE SOLUTION. IN THIS RESPECT, WE HOPE OTHERS WILL JOIN WITH US IN WORKING TOWARD THIS GOAL.

5. POSTS SHOULD POINT OUT THAT THE COURSE OF ACTION CHOSEN PROVIDES THE ADMINISTRATION WITH SUBSTANTIAL FLEXIBILITY. THE DECISION TO ADOPT REMEDIES DIFFERING FROM THOSE OF THE ITC DOES OPEN THE ADMINISTRATION TO THE POSSIBILITY OF A CONGRESSIONAL OVERRIDE. THIS COURSE HAS NONETHELESS BEEN CHOSEN IN AN EFFORT TO ACCOMMODATE THE NEEDS OF WORLD TRADE AND TO MAINTAIN THE SPIRIT OF

OUR INTERNATIONAL UNDERTAKINGS. IN LARGER TERMS, THIS ACTION CAN BE SEEN AS AN EFFORT TO CONTINUE THE SEARCH FOR MANAGED SOLUTIONS TO SHORT-TERM PROBLEMS WHILE MAINTAINING OUR OVERALL GOAL OF ACHIEVING A MORE LIBERAL TRADING ENVIRONMENT THROUGH PROCESS OF MTN NEGOTIATION.

6. A FACT SHEET ON SPECIALTY STEEL WILL BE SENT SEPTTEL.
KISSINGER

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